

Message Text

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ACTION EB-08

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E. O. 11652: NA
TAGS: EAIR IS
SUBJ: GOI POSITION IN FORTHCOMING BILATERAL AVIATION NEGOTIATIONS

REF.: STATE 158316

1. BEGIN SUMMARY: THE GOI WANTS AT LEAST THREE ADDITIONAL TRAFFIC POINTS IN THE US. IN RETURN, IT IS WILLING TO OFFER WIDE-RANGING CONCESSIONS ON FARES AND CHARTERS.
END SUMMARY

2. ON JUNE 21 MINISTER OF TRANSPORT AND COMMUNICATIONS MEIR AMIT BRIEFED AMBASSADOR ON GOI'S OBJECTIVES IN FORTHCOMING CIVIL AVIATION NEGOTIATIONS. IN GENERAL, AMIT EMPHASIZED THAT ISRAEL WANTED A PACKAGE DEAL INVOLVING TRAFFIC RIGHTS, CHARTERS AND FARES. HE EMPHASIZED THAT NEGOTIATIONS SHOULD LAST UNTIL A PACKAGE SOLUTION IS REACHED AND THAT CONSULTATIONS SHOULD NOT BE ADJOURNED OR SUSPENDED PENDING A FINAL SETTLEMENT. AMB DINITZ WILL HEAD GOI NEGOTIATING TEAM THE FIRST FEW DAYS.
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3. IN GENERAL, MOST OF THE GOI POSITIONS COVERED BY AMIT ARE ALREADY KNOWN TO WASHINGTON. THERE FOLLOWS A SUMMARY OF THE MAIN POINTS:

1. INITIAL GOI PROPOSAL WILL BE FOR AN "OPEN SKY" POLICY BETWEEN US AND ISRAEL, INCLUDING

RIGHT TO CARRY TRAFFIC FROM ANY POINT OF ORIGIN IN OTHER COUNTRY TO DESTINATIONS IN THIRD COUNTRIES. THAT IS, AIRLINES OF EACH COUNTRY COULD OPERATE REGULAR AND/OR CHARTER FLIGHTS FROM ANY POINT IN ITS OWN COUNTRY TO ANY POINT IN THE OTHER COUNTRY AND VICE VERSA AND COULD ALSO CARRY TRAFFIC FROM ANY POINT IN THE OTHER COUNTRY TO A THIRD COUNTRY.

2. ISRAEL REQUIRES AS A MINIMUM THREE ADDITIONAL TRAFFIC POINTS IN US (LOS ANGELES, CHICAGO-BOSTON AND MIAMI). DESPITE THE FACT THAT EL AL COULD OPERATE CHARTERS FROM AND TO THESE POINTS UNDER A LIBERALIZED POLICY ON CHARTERS, IT ALSO NEEDED THE ABILITY TO HAVE SCHEDULED FLIGHTS FROM THESE SAME POINTS IN ORDER TO OPERATE ON AN ECONOMIC BASIS. IN OTHER WORDS, CHARTER OPERATION ALONE FROM THESE POINTS WOULD NOT BE POSSIBLE UNLESS THERE WERE ALSO REGULAR FLIGHTS TO SPREAD MINIMUM FIXED OR OVERHEAD COSTS BETWEEN BOTH TYPES OF SERVICE.

3. ON FARES, ISRAEL IS READY TO ALLOW FREE COMPETITION ON FARES EXCEPT THAT THERE SHOULD BE SOME SAFEGUARDS AGAINST UNREASONABLE FARES. ISRAEL WOULD LIKE AN OBJECTIVE MECHANISM TO DECIDE HOW SUCH SAFEGUARDS WOULD OPERATE TO PREVENT PREDATORY PRICING OR LIMITED OFFICIAL USE

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"DUMPING".

THE LEVEL OF FARES IS IMPORTANT TO EL AL BECAUSE OF ITS HEAVY RELIANCE (60 PERCENT OF TOTAL TRAFFIC) ON TRAFFIC TO THE US, WHILE TWA'S TRAFFIC TO ISRAEL IS ONLY "ONE OR TWO PERCENT" OF ITS TOTAL SYSTEM TRAFFIC.

4. ON CHARTERS, THE PRESENT GOVERNMENT HAS DECIDED TO OPEN CHARTERS FROM ALL OF EUROPE ON NOVEMBER 1. ALSO, CHARTERS FROM ISRAEL FOR ISRAELI NATIONALS WILL ALSO BE ALLOWED. THIS IS A BASIC CHANGE. EL AL WILL BE FACING A GREAT DEAL OF COMPETITION. GOI MUST MAKE SURE THAT EL AL WILL NOT BE OVERWHELMED BY THIS NEW RUSH OF CHARTERS. EL AL, BECAUSE OF RECENT STRIKE, IS NOT PARTICULARLY WELL PLACED TO MEET THIS NEW SITUATION. CHARTERS WILL TAKE A LARGE CHUNK OF EXISTING TRAFFIC OVER THE NORTH ATLANTIC, BUT THE GOI IS PREPARED TO OPEN UP THE CHARTER MARKET TO US COMPANIES. THERE WOULD BE NO LIMITATIONS ON CHARTERS EXCEPT FOR NORMAL GOVERNMENTAL REGULATIONS.

4. UNFORTUNATELY, REFTTEL WAS RECEIVED AFTER AMIT

MEETING. BACKGROUND INFO GOI DELEGATION WILL BE
SENT ASAP.

5. COMMENT: ACCORDING TO AMIT, THE KEY FOR ISRAEL IS
THREE ADDITIONAL TRAFFIC POINTS IN US. IN RETURN
FOR THIS, ISRAEL IS PREPARED TO BE FORTHCOMING ON
CHARTERS AND ON FARES. AMIT AGREED THAT THE "OPEN
SKY" CONCEPT PROBABLY WAS PREMATURE BUT HE WANTED
TO PRESENT IT IN THESE NEGOTIATIONS. LEWIS

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